

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7166**

**BILL NUMBER: HB 1857**

**DATE PREPARED: Jan 16, 2001**

**BILL AMENDED:**

**SUBJECT: Generic Drugs under CHIP.**

**FISCAL ANALYST: Alan Gossard**

**PHONE NUMBER: 233-3546**

**FUNDS AFFECTED: X GENERAL  
DEDICATED  
X FEDERAL**

**IMPACT: State**

**Summary of Legislation:** This bill requires a pharmacist who fills a prescription that is covered under the Children's Health Insurance Program (CHIP) to fill the prescription with a generically equivalent drug product and inform the customer of the substitution if the substitution results in a lower price, unless the prescribing practitioner indicates that the prescription must be filled with a brand name drug.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:** This bill is expected to result in a reduction of expenditures in the CHIP program of up to \$900,000 annually in state dollars.

*Background:* The Office of Medicaid Policy and Planning (OMPP) reports that there were approximately 187,000 prescriptions dispensed for children enrolled in CHIP for FY 2000. The average cost per prescription for brand name products was about \$61. OMPP projects that generic drugs are 30% to 60% less expensive than brand name products. Based on a state share of expenditures of 27% in the CHIP program and assuming a 30% decrease in drug expenditures from the substitution of generic products, the reduction in expenditures in the CHIP program is estimated to be up to \$900,000. Total expenditure savings, state and federal dollars, would be about \$3.4 M.

Prescription drugs accounted for about 14% of CHIP expenditures in FY 2000. Generic substitution is already required in the regular Medicaid program (IC 16-42-22-10). This bill would require that this provision apply to the CHIP program, as well.

In addition, unlike the Medicaid program, the federal allotment for the CHIP program is capped. Consequently, a reduction in expenditures for prescription drugs will allow those dollars to be utilized for other services within the CHIP program.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Family and Social Services Administration.

**Local Agencies Affected:**

**Information Sources:** Susan Preble, Legislative Liaison for FSSA, (317) 232-1149.